

REFERENCE TITLE: tax credit; research and development

State of Arizona  
House of Representatives  
Forty-ninth Legislature  
First Regular Session  
2009

## HB 2370

Introduced by  
Representatives Murphy, Chabin: Reagan

### AN ACT

AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2001, CHAPTER 115, SECTION 19; AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 290, SECTION 2; AMENDING SECTION 43-1074.01, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2008, CHAPTER 290, SECTION 4; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2001, CHAPTER 115, SECTION 28; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2008, CHAPTER 290, SECTION 5; AMENDING SECTION 43-1168, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2008, CHAPTER 290, SECTION 7; RELATING TO INDIVIDUAL AND CORPORATE INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1074.01, Arizona Revised Statutes, as amended by  
3 Laws 2001, chapter 115, section 19, is amended to read:

4 43-1074.01. Credit for increased research activities

5 A. A credit is allowed against the taxes imposed by this title in an  
6 amount determined pursuant to section 41 of the internal revenue code, except  
7 that:

8 1. The amount of the credit is based on the excess, if any, of the  
9 qualified research expenses for the taxable year over the base amount as  
10 defined in section 41(c) of the internal revenue code and is computed as  
11 follows:

12 (a) If the excess is two million five hundred thousand dollars or  
13 less, the credit is equal to twenty per cent of that amount.

14 (b) If the excess is over two million five hundred thousand dollars,  
15 the credit is equal to five hundred thousand dollars plus eleven per cent of  
16 any amount exceeding two million five hundred thousand dollars, except that:

17 (i) For taxable years beginning from and after December 31, 2000  
18 through December 31, 2001, the credit shall not exceed one million five  
19 hundred thousand dollars.

20 (ii) For taxable years beginning from and after December 31, 2001  
21 through December 31, 2002, the credit shall not exceed two million five  
22 hundred thousand dollars.

23 2. Qualified research includes only research conducted in this state  
24 including research conducted at a university in this state and paid for by  
25 the taxpayer.

26 3. If two or more taxpayers, including partners in a partnership and  
27 shareholders of an S corporation, as defined in section 1361 of the internal  
28 revenue code, share in the eligible expenses, each taxpayer is eligible to  
29 receive a proportionate share of the credit.

30 4. The credit under this section applies only to expenses incurred  
31 from and after December 31, 2000.

32 5. The termination provisions of section 41 of the internal revenue  
33 code do not apply.

34 B. If the allowable credit under this section exceeds the taxes  
35 otherwise due under this title on the claimant's income, or if there are no  
36 taxes due under this title, the amount of the credit not used to offset taxes  
37 may be carried forward to the next fifteen consecutive taxable years. The  
38 amount of credit carryforward from taxable years beginning from and after  
39 December 31, 2000 through December 31, 2002 that may be used in any taxable  
40 year may not exceed the taxpayer's tax liability under this title or five  
41 hundred thousand dollars, whichever is less, minus the credit under this  
42 section for the current taxable year's qualified research expenses. The  
43 amount of credit carryforward from taxable years beginning from and after  
44 December 31, 2002 that may be used in any taxable year may not exceed the

1 taxpayer's tax liability under this title minus the credit under this section  
2 for the current taxable year's qualified research expenses.

3 C. WHEN CLAIMING THE CREDIT UNDER THIS SECTION, THE TAXPAYER SHALL  
4 REPORT THE FOLLOWING:

5 1. THE TOTAL AMOUNT OF RESEARCH MONIES THAT ARE SPENT IN THIS STATE BY  
6 THE TAXPAYER DURING THE TAXABLE YEAR.

7 2. THE TOTAL NUMBER OF THE TAXPAYER'S EMPLOYEES WHO PERFORM RESEARCH  
8 ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

9 3. THE TOTAL AMOUNT OF THE TAXPAYER'S PAYROLL THAT RELATES TO RESEARCH  
10 ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

11 4. A DESCRIPTION OF NEW PRODUCTS THAT THE TAXPAYER INTRODUCED IN THIS  
12 STATE DURING THE TAXABLE YEAR.

13 D. THE DEPARTMENT SHALL INCLUDE THE INFORMATION RECEIVED UNDER  
14 SUBSECTION C OF THIS SECTION IN THE REPORT PRESCRIBED BY SECTION 42-1005,  
15 SUBSECTION A, PARAGRAPH 4.

16 Sec. 2. Section 43-1074.01, Arizona Revised Statutes, as amended by  
17 Laws 2008, chapter 290, section 2, is amended to read:

18 43-1074.01. Credit for increased research activities

19 A. A credit is allowed against the taxes imposed by this title in an  
20 amount determined pursuant to section 41 of the internal revenue code, except  
21 that:

22 1. The amount of the credit is based on the excess, if any, of the  
23 qualified research expenses for the taxable year over the base amount as  
24 defined in section 41(c) of the internal revenue code and is computed as  
25 follows:

26 (a) If the excess is two million five hundred thousand dollars or  
27 less, the credit is equal to twenty-four per cent of that amount.

28 (b) If the excess is over two million five hundred thousand dollars,  
29 the credit is equal to six hundred thousand dollars plus fifteen per cent of  
30 any amount exceeding two million five hundred thousand dollars, except that:

31 (i) For taxable years beginning from and after December 31, 2000  
32 through December 31, 2001, the credit shall not exceed one million five  
33 hundred thousand dollars.

34 (ii) For taxable years beginning from and after December 31, 2001  
35 through December 31, 2002, the credit shall not exceed two million five  
36 hundred thousand dollars.

37 2. Qualified research includes only research conducted in this state  
38 including research conducted at a university in this state and paid for by  
39 the taxpayer.

40 3. If two or more taxpayers, including partners in a partnership and  
41 shareholders of an S corporation, as defined in section 1361 of the internal  
42 revenue code, share in the eligible expenses, each taxpayer is eligible to  
43 receive a proportionate share of the credit.

44 4. The credit under this section applies only to expenses incurred  
45 from and after December 31, 2000.

5. The termination provisions of section 41 of the internal revenue code do not apply.

B. If the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the credit not used to offset taxes may be carried forward to the next fifteen consecutive taxable years. The amount of credit carryforward from taxable years beginning from and after December 31, 2000 through December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The amount of credit carryforward from taxable years beginning from and after December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title minus the credit under this section for the current taxable year's qualified research expenses.

C. WHEN CLAIMING THE CREDIT UNDER THIS SECTION, THE TAXPAYER SHALL REPORT THE FOLLOWING:

1. THE TOTAL AMOUNT OF RESEARCH MONIES THAT ARE SPENT IN THIS STATE BY THE TAXPAYER DURING THE TAXABLE YEAR.

2. THE TOTAL NUMBER OF THE TAXPAYER'S EMPLOYEES WHO PERFORM RESEARCH ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

3. THE TOTAL AMOUNT OF THE TAXPAYER'S PAYROLL THAT RELATES TO RESEARCH ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

4. A DESCRIPTION OF NEW PRODUCTS THAT THE TAXPAYER INTRODUCED IN THIS STATE DURING THE TAXABLE YEAR.

D. THE DEPARTMENT SHALL INCLUDE THE INFORMATION RECEIVED UNDER SUBSECTION C OF THIS SECTION IN THE REPORT PRESCRIBED BY SECTION 42-1005, SUBSECTION A, PARAGRAPH 4.

Sec. 3. Section 43-1074.01, Arizona Revised Statutes, as added by Laws 2008, chapter 290, section 4, is amended to read:

43-1074.01. Credit for increased research activities

A. A credit is allowed against the taxes imposed by this title in an amount determined pursuant to section 41 of the internal revenue code, except that:

1. The amount of the credit is based on the excess, if any, of the qualified research expenses for the taxable year over the base amount as defined in section 41(c) of the internal revenue code and is computed as follows:

(a) If the excess is two million five hundred thousand dollars or less, the credit is equal to twenty per cent of that amount.

(b) If the excess is over two million five hundred thousand dollars, the credit is equal to five hundred thousand dollars plus eleven per cent of any amount exceeding two million five hundred thousand dollars, except that:

1 (i) For taxable years beginning from and after December 31, 2000  
2 through December 31, 2001, the credit shall not exceed one million five  
3 hundred thousand dollars.

4 (ii) For taxable years beginning from and after December 31, 2001  
5 through December 31, 2002, the credit shall not exceed two million five  
6 hundred thousand dollars.

7 2. Qualified research includes only research conducted in this state  
8 including research conducted at a university in this state and paid for by  
9 the taxpayer.

10 3. If two or more taxpayers, including partners in a partnership and  
11 shareholders of an S corporation, as defined in section 1361 of the internal  
12 revenue code, share in the eligible expenses, each taxpayer is eligible to  
13 receive a proportionate share of the credit.

14 4. The credit under this section applies only to expenses incurred  
15 from and after December 31, 2000.

16 5. The termination provisions of section 41 of the internal revenue  
17 code do not apply.

18 B. If the allowable credit under this section exceeds the taxes  
19 otherwise due under this title on the claimant's income, or if there are no  
20 taxes due under this title, the amount of the credit not used to offset taxes  
21 may be carried forward to the next fifteen consecutive taxable years. The  
22 amount of credit carryforward from taxable years beginning from and after  
23 December 31, 2000 through December 31, 2002 that may be used in any taxable  
24 year may not exceed the taxpayer's tax liability under this title or five  
25 hundred thousand dollars, whichever is less, minus the credit under this  
26 section for the current taxable year's qualified research expenses. The  
27 amount of credit carryforward from taxable years beginning from and after  
28 December 31, 2002 that may be used in any taxable year may not exceed the  
29 taxpayer's tax liability under this title minus the credit under this section  
30 for the current taxable year's qualified research expenses.

31 C. WHEN CLAIMING THE CREDIT UNDER THIS SECTION, THE TAXPAYER SHALL  
32 REPORT THE FOLLOWING:

33 1. THE TOTAL AMOUNT OF RESEARCH MONIES THAT ARE SPENT IN THIS STATE BY  
34 THE TAXPAYER DURING THE TAXABLE YEAR.

35 2. THE TOTAL NUMBER OF THE TAXPAYER'S EMPLOYEES WHO PERFORM RESEARCH  
36 ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

37 3. THE TOTAL AMOUNT OF THE TAXPAYER'S PAYROLL THAT RELATES TO RESEARCH  
38 ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

39 4. A DESCRIPTION OF NEW PRODUCTS THAT THE TAXPAYER INTRODUCED IN THIS  
40 STATE DURING THE TAXABLE YEAR.

41 D. THE DEPARTMENT SHALL INCLUDE THE INFORMATION RECEIVED UNDER  
42 SUBSECTION C OF THIS SECTION IN THE REPORT PRESCRIBED BY SECTION 42-1005,  
43 SUBSECTION A, PARAGRAPH 4.

1       Sec. 4. Section 43-1168, Arizona Revised Statutes, as amended by Laws  
2       2001, chapter 115, section 28, is amended to read:

3       43-1168. Credit for increased research activities

4       A. A credit is allowed against the taxes imposed by this title in an  
5       amount determined pursuant to section 41 of the internal revenue code, except  
6       that:

7       1. The amount of the credit is computed as follows:

8       (a) Add:

9       (i) The excess, if any, of the qualified research expenses for the  
10      taxable year over the base amount as defined in section 41(c) of the internal  
11      revenue code.

12      (ii) The basic research payments determined under section 41(e)(1)(A)  
13      of the internal revenue code.

14      (b) If the sum computed under subdivision (a) is two million five  
15      hundred thousand dollars or less, the credit is equal to twenty per cent of  
16      that amount.

17      (c) If the sum computed under subdivision (a) is over two million five  
18      hundred thousand dollars, the credit is equal to five hundred thousand  
19      dollars plus eleven per cent of any amount exceeding two million five hundred  
20      thousand dollars, except that:

21      (i) For taxable years beginning from and after December 31, 2000  
22      through December 31, 2001, the credit shall not exceed one million five  
23      hundred thousand dollars.

24      (ii) For taxable years beginning from and after December 31, 2001  
25      through December 31, 2002, the credit shall not exceed two million five  
26      hundred thousand dollars.

27      2. Qualified research includes only research conducted in this state  
28      including research conducted at a university in this state and paid for by  
29      the taxpayer.

30      3. If two or more taxpayers, including corporate partners in a  
31      partnership, share in the eligible expenses, each taxpayer is eligible to  
32      receive a proportionate share of the credit.

33      4. The credit under this section applies only to expenses incurred  
34      from and after December 31, 1993.

35      5. The termination provisions of section 41 of the internal revenue  
36      code do not apply.

37      B. If the allowable credit under this section exceeds the taxes  
38      otherwise due under this title on the claimant's income, or if there are no  
39      taxes due under this title, the amount of the credit not used to offset taxes  
40      may be carried forward to the next fifteen consecutive taxable years. The  
41      amount of credit carryforward from taxable years beginning from and after  
42      December 31, 2000 through December 31, 2002 that may be used under this  
43      subsection in any taxable year may not exceed the taxpayer's tax liability  
44      under this title or five hundred thousand dollars, whichever is less, minus  
45      the credit under this section for the current taxable year's qualified

1 research expenses. The amount of credit carryforward from taxable years  
 2 beginning from and after December 31, 2002 that may be used under this  
 3 subsection in any taxable year may not exceed the taxpayer's tax liability  
 4 under this title minus the credit under this section for the current taxable  
 5 year's qualified research expenses.

6 C. If a taxpayer has qualified research expenses that are carried  
 7 forward from taxable years beginning before January 1, 2001, the amount of  
 8 the expenses carried forward shall be converted to a credit carryforward by  
 9 multiplying the amount of the qualified expenses carried forward by twenty  
 10 per cent. A credit carryforward determined under this subsection may be  
 11 carried forward to not more than fifteen years from the year in which the  
 12 expenses were incurred. The amount of credit carryforward from taxable years  
 13 beginning before January 1, 2001 that may be used under this subsection in  
 14 any taxable year may not exceed the taxpayer's tax liability under this title  
 15 or five hundred thousand dollars, whichever is less, minus the credit under  
 16 this section for the current taxable year's qualified research expenses. The  
 17 total amount of credit carryforward from taxable years beginning before  
 18 January 1, 2003 that may be used in any taxable year under the provisions of  
 19 subsection B OF THIS SECTION and this subsection may not exceed the  
 20 taxpayer's tax liability under this title or five hundred thousand dollars,  
 21 whichever is less, minus the credit under this section for the current  
 22 taxable year's qualified research expenses.

23 D. WHEN CLAIMING THE CREDIT UNDER THIS SECTION, THE TAXPAYER SHALL  
 24 REPORT THE FOLLOWING:

25 1. THE TOTAL AMOUNT OF RESEARCH MONIES THAT ARE SPENT IN THIS STATE BY  
 26 THE TAXPAYER DURING THE TAXABLE YEAR.

27 2. THE TOTAL NUMBER OF THE TAXPAYER'S EMPLOYEES WHO PERFORM RESEARCH  
 28 ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

29 3. THE TOTAL AMOUNT OF THE TAXPAYER'S PAYROLL THAT RELATES TO RESEARCH  
 30 ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

31 4. A DESCRIPTION OF NEW PRODUCTS THAT THE TAXPAYER INTRODUCED IN THIS  
 32 STATE DURING THE TAXABLE YEAR.

33 E. THE DEPARTMENT SHALL INCLUDE THE INFORMATION RECEIVED UNDER  
 34 SUBSECTION D OF THIS SECTION IN THE REPORT PRESCRIBED BY SECTION 42-1005,  
 35 SUBSECTION A, PARAGRAPH 4.

36 Sec. 5. Section 43-1168, Arizona Revised Statutes, as amended by Laws  
 37 2008, chapter 290, section 5, is amended to read:

38 43-1168. Credit for increased research activities

39 A. A credit is allowed against the taxes imposed by this title in an  
 40 amount determined pursuant to section 41 of the internal revenue code, except  
 41 that:

1           1. The amount of the credit is computed as follows:

2           (a) Add:

3           (i) The excess, if any, of the qualified research expenses for the  
4 taxable year over the base amount as defined in section 41(c) of the internal  
5 revenue code.

6           (ii) The basic research payments determined under section 41(e)(1)(A)  
7 of the internal revenue code.

8           (b) If the sum computed under subdivision (a) is two million five  
9 hundred thousand dollars or less, the credit is equal to twenty-four per cent  
10 of that amount.

11           (c) If the sum computed under subdivision (a) is over two million five  
12 hundred thousand dollars, the credit is equal to six hundred thousand dollars  
13 plus fifteen per cent of any amount exceeding two million five hundred  
14 thousand dollars, except that:

15           (i) For taxable years beginning from and after December 31, 2000  
16 through December 31, 2001, the credit shall not exceed one million five  
17 hundred thousand dollars.

18           (ii) For taxable years beginning from and after December 31, 2001  
19 through December 31, 2002, the credit shall not exceed two million five  
20 hundred thousand dollars.

21           2. Qualified research includes only research conducted in this state  
22 including research conducted at a university in this state and paid for by  
23 the taxpayer.

24           3. If two or more taxpayers, including corporate partners in a  
25 partnership, share in the eligible expenses, each taxpayer is eligible to  
26 receive a proportionate share of the credit.

27           4. The credit under this section applies only to expenses incurred  
28 from and after December 31, 1993.

29           5. The termination provisions of section 41 of the internal revenue  
30 code do not apply.

31           B. If the allowable credit under this section exceeds the taxes  
32 otherwise due under this title on the claimant's income, or if there are no  
33 taxes due under this title, the amount of the credit not used to offset taxes  
34 may be carried forward to the next fifteen consecutive taxable years. The  
35 amount of credit carryforward from taxable years beginning from and after  
36 December 31, 2000 through December 31, 2002 that may be used under this  
37 subsection in any taxable year may not exceed the taxpayer's tax liability  
38 under this title or five hundred thousand dollars, whichever is less, minus  
39 the credit under this section for the current taxable year's qualified  
40 research expenses. The amount of credit carryforward from taxable years  
41 beginning from and after December 31, 2002 that may be used under this  
42 subsection in any taxable year may not exceed the taxpayer's tax liability  
43 under this title minus the credit under this section for the current taxable  
44 year's qualified research expenses.



1 C. If a taxpayer has qualified research expenses that are carried  
 2 forward from taxable years beginning before January 1, 2001, the amount of  
 3 the expenses carried forward shall be converted to a credit carryforward by  
 4 multiplying the amount of the qualified expenses carried forward by twenty  
 5 per cent. A credit carryforward determined under this subsection may be  
 6 carried forward to not more than fifteen years from the year in which the  
 7 expenses were incurred. The amount of credit carryforward from taxable years  
 8 beginning before January 1, 2001 that may be used under this subsection in  
 9 any taxable year may not exceed the taxpayer's tax liability under this title  
 10 or five hundred thousand dollars, whichever is less, minus the credit under  
 11 this section for the current taxable year's qualified research expenses. The  
 12 total amount of credit carryforward from taxable years beginning before  
 13 January 1, 2003 that may be used in any taxable year under subsection B **OF**  
 14 **THIS SECTION** and this subsection may not exceed the taxpayer's tax liability  
 15 under this title or five hundred thousand dollars, whichever is less, minus  
 16 the credit under this section for the current taxable year's qualified  
 17 research expenses.

18 D. **WHEN CLAIMING THE CREDIT UNDER THIS SECTION, THE TAXPAYER SHALL**  
 19 **REPORT THE FOLLOWING:**

20 1. **THE TOTAL AMOUNT OF RESEARCH MONIES THAT ARE SPENT IN THIS STATE BY**  
 21 **THE TAXPAYER DURING THE TAXABLE YEAR.**

22 2. **THE TOTAL NUMBER OF THE TAXPAYER'S EMPLOYEES WHO PERFORM RESEARCH**  
 23 **ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.**

24 3. **THE TOTAL AMOUNT OF THE TAXPAYER'S PAYROLL THAT RELATES TO RESEARCH**  
 25 **ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.**

26 4. **A DESCRIPTION OF NEW PRODUCTS THAT THE TAXPAYER INTRODUCED IN THIS**  
 27 **STATE DURING THE TAXABLE YEAR.**

28 E. **THE DEPARTMENT SHALL INCLUDE THE INFORMATION RECEIVED UNDER**  
 29 **SUBSECTION D OF THIS SECTION IN THE REPORT PRESCRIBED BY SECTION 42-1005,**  
 30 **SUBSECTION A, PARAGRAPH 4.**

31 Sec. 6. Section 43-1168, Arizona Revised Statutes, as added by Laws  
 32 2008, chapter 290, section 7, is amended to read:

33 **43-1168. Credit for increased research activity**

34 A. A credit is allowed against the taxes imposed by this title in an  
 35 amount determined pursuant to section 41 of the internal revenue code, except  
 36 that:

37 1. The amount of the credit is computed as follows:

38 (a) Add:

39 (i) The excess, if any, of the qualified research expenses for the  
 40 taxable year over the base amount as defined in section 41(c) of the internal  
 41 revenue code.

42 (ii) The basic research payments determined under section 41(e)(1)(A)  
 43 of the internal revenue code.

(b) If the sum computed under subdivision (a) is two million five hundred thousand dollars or less, the credit is equal to twenty per cent of that amount.

(c) If the sum computed under subdivision (a) is over two million five hundred thousand dollars, the credit is equal to five hundred thousand dollars plus eleven per cent of any amount exceeding two million five hundred thousand dollars, except that:

(i) For taxable years beginning from and after December 31, 2000 through December 31, 2001, the credit shall not exceed one million five hundred thousand dollars.

(ii) For taxable years beginning from and after December 31, 2001 through December 31, 2002, the credit shall not exceed two million five hundred thousand dollars.

2. Qualified research includes only research conducted in this state including research conducted at a university in this state and paid for by the taxpayer.

3. If two or more taxpayers, including corporate partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.

4. The credit under this section applies only to expenses incurred from and after December 31, 1993.

5. The termination provisions of section 41 of the internal revenue code do not apply.

B. If the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the amount of the credit not used to offset taxes may be carried forward to the next fifteen consecutive taxable years. The amount of credit carryforward from taxable years beginning from and after December 31, 2000 through December 31, 2002 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The amount of credit carryforward from taxable years beginning from and after December 31, 2002 that may be used under this subsection in any taxable year may not exceed the taxpayer's tax liability under this title minus the credit under this section for the current taxable year's qualified research expenses.

C. If a taxpayer has qualified research expenses that are carried forward from taxable years beginning before January 1, 2001, the amount of the expenses carried forward shall be converted to a credit carryforward by multiplying the amount of the qualified expenses carried forward by twenty per cent. A credit carryforward determined under this subsection may be carried forward to not more than fifteen years from the year in which the expenses were incurred. The amount of credit carryforward from taxable years beginning before January 1, 2001 that may be used under this subsection in

any taxable year may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses. The total amount of credit carryforward from taxable years beginning before January 1, 2003 that may be used in any taxable year under subsection B OF THIS SECTION and this subsection may not exceed the taxpayer's tax liability under this title or five hundred thousand dollars, whichever is less, minus the credit under this section for the current taxable year's qualified research expenses.

D. WHEN CLAIMING THE CREDIT UNDER THIS SECTION, THE TAXPAYER SHALL REPORT THE FOLLOWING:

1. THE TOTAL AMOUNT OF RESEARCH MONIES THAT ARE SPENT IN THIS STATE BY THE TAXPAYER DURING THE TAXABLE YEAR.

2. THE TOTAL NUMBER OF THE TAXPAYER'S EMPLOYEES WHO PERFORM RESEARCH ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

3. THE TOTAL AMOUNT OF THE TAXPAYER'S PAYROLL THAT RELATES TO RESEARCH ACTIVITIES IN THIS STATE DURING THE TAXABLE YEAR.

4. A DESCRIPTION OF NEW PRODUCTS THAT THE TAXPAYER INTRODUCED IN THIS STATE DURING THE TAXABLE YEAR.

E. THE DEPARTMENT SHALL INCLUDE THE INFORMATION RECEIVED UNDER SUBSECTION D OF THIS SECTION IN THE REPORT PRESCRIBED BY SECTION 42-1005, SUBSECTION A, PARAGRAPH 4.

Sec. 7. Effective date

A. Section 43-1074.01, Arizona Revised Statutes, as amended by Laws 2008, chapter 290, section 2 and this act, is effective for taxable years beginning from and after December 31, 2009.

B. Section 43-1074.01, Arizona Revised Statutes, as added by Laws 2008, chapter 290, section 4 and amended by this act, is effective for taxable years beginning from and after December 31, 2017.

C. Section 43-1168, Arizona Revised Statutes, as amended by Laws 2008, chapter 290, section 5 and this act, is effective for taxable years beginning from and after December 31, 2009.

D. Section 43-1168, Arizona Revised Statutes, as added by Laws 2008, chapter 290, section 7 and amended by this act, is effective for taxable years beginning from and after December 31, 2017.